

CITY OF SAN JOSE
OFFICE OF THE CITY AUDITOR
Procedure No. M-16

VULNERABILITY ASSESSMENT

Purpose

To assess the probability that material noncompliance and abuse could occur and not be prevented or detected in a timely manner by the internal controls in place and to reflect this assessment of vulnerability in the extent of audit testing to be performed.

Background

Vulnerability means the probability that material noncompliance and abuse could occur and not be prevented or detected in a timely manner by the internal controls in place.

Vulnerability is estimated by considering both the threat's inherent risk and the condition of the internal control.

Table A (Threat Inherent Risk Rating Guide) describes the circumstances that determine whether the threat's inherent risk is high, moderate, or low (See Procedure No. [5-05G-1](#)).

Table B (Internal Control Rating Guide) describes circumstances that determine whether the internal control is weak, adequate, or strong (See Procedure No. [5-05G-2](#)).

Table C (Vulnerability Assessment and Testing Extent Table) shows the relationship among (a) the threat's inherent risk, (b) the internal control's condition, and (c) vulnerability and testing extent (See Procedure No. [5-05G-3](#)).

NOTE: Vulnerability equals testing extent because testing extent directly corresponds to the level of vulnerability, i.e., the higher the vulnerability rating, the greater the extent of audit testing.

Procedure

Audit Staff	<ol style="list-style-type: none">1. Update the List of Threats and Controls.2. Using Table A (Threat Inherent Risk Rating Guide), rate each threat.3. Using Table B (Internal Control Rating Guide), rate the corresponding internal controls for each threat.4. Using Table C (Vulnerability Assessment and Testing Extent Table), assess the program's vulnerability and testing extent for each internal control.5. Identify the audit procedure to test each internal control in the list (See example in Procedure No. 5-05G-4).6. If an internal control is not to be tested, explain why not.7. Submit the Threats, Controls, and Vulnerability Assessment file to the Supervising Auditor and the City Auditor.
Supervising Auditor and City Auditor	<ol style="list-style-type: none">8. Review and approve the Threats, Controls, and Vulnerability Assessment.
Audit Staff	<ol style="list-style-type: none">9. File the Threats, Controls, and Vulnerability Assessment in the audit workpapers.